

ISSUE DATE: October 23, 1998

DOCKET NO. P-407, 421/CP-97-1360

ORDER ESTABLISHING RATES FOR POLLING

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for Extended Area
Service from the Dexter Exchange to the
Austin Exchange

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PROCEDURAL HISTORY

On September 8, 1997, subscribers in the Dexter telephone exchange filed a petition for Extended Area Service (EAS) to the Austin exchange. GTE Minnesota (GTE) serves the Dexter exchange and U S WEST Communications, Inc. (USWC) serves the Austin exchange.

On October 23, 1997, GTE submitted a traffic study which showed that during the months of August 1996 through July 1997, 64 to 73 percent of the customers in the Dexter exchange made three or more calls per month to the Austin exchange.

On October 28, 1997, the Minnesota Department of Public Service (the Department) filed comments stating that the petition was valid, and recommended that the Commission order the affected telephone companies to file cost studies and proposed rates.

On November 7 and 12, 1997, respectively, the Commission issued Orders setting rates for polling In the Matter of a Petition for Extended Area Service from the New Germany Exchange of GTE Telephone Operations to the Metropolitan Calling Area in Docket Nos. P-407, 407, 520, 405, 426, 427, 421, 430/CP-96-564 and In the Matter of a Petition for Extended Area Service from Atwater to Willmar in Docket No. and P-407, 421/CP-96-799. In these Orders, the Commission found that the record did not substantiate the Department's claim that the affected companies had not properly accounted for access cost savings.¹

On November 21, 1997, the Commission issued its ORDER REQUIRING COST STUDIES AND PROPOSED RATES for the Dexter petition. In its Order, the Commission found that the Dexter exchange was adjacent to the Austin exchange and that the calling volume from Dexter to Austin met the Commission's traffic criterion.

On February 19, 1998, GTE and USWC (the Companies) submitted cost studies and proposed

¹ The Commission reaffirmed its decision to accept the companies' cost study methodologies without the adjustments proposed by the Department in its January 20, 1998 ORDER DENYING RECONSIDERATION in both the New Germany and Atwater cases.

rates.

On March 12, 1998, the Department filed comments stating that GTE had not considered cost savings arising from no longer providing access service.

The Commission met on October 20, 1998 to consider this matter.

FINDINGS AND CONCLUSIONS

I. REVENUE REQUIREMENT

The revenue requirement for an EAS route is composed of two parts: 1) the cost of providing the service, i.e. the value of facilities and other resources of the affected telephone company(ies) needed to carry the EAS traffic; and 2) the lost contribution to the affected company's (ies') revenues from the provision of access and toll services when a route or routes are converted from toll to local calling. In this case, there are two affected telephone companies, GTE (serving the Dexter exchange) and USWC (serving the Austin exchange).

A. Facilities Costs

The Department analyzed GTE and USWC's reported facilities requirements and the associated costs and found them to be in compliance with standards developed in earlier Commission Orders. The Commission finds that the Department's review was correct and will approve the facilities costs proposed by GTE and USWC.

B. Lost Access Contribution

Acknowledging the Commission's findings in the New Germany EAS case (Docket No. P-404, 407, 520, 405, 426, 427, 421, 430/CP-96-564), the Department made no adjustments to GTE's proposed revenue requirement to account for alleged access cost savings and recommended that the Commission approve the revenue requirement for both GTE and USWC as being consistent with previous Commission Orders. The Commission finds that the Department's recommendation is appropriate and will approve the Companies' proposed revenue requirements.

II. CALCULATION OF PROPOSED RATES

On February 19, 1998 filing, GTE and USWC filed proposed rates. The Commission finds that GTE's proposed rates are properly calculated. USWC, however, did not use the correct figure for GTE's revenue requirement so its proposed rates need to be adjusted accordingly. The rates for Austin, properly adjusted to reflect GTE's correct revenue requirement will be approved.

III. COST ALLOCATION

Guidelines adopted for processing EAS petitions give the Commission discretion to allocate between 50 and 75 percent of the EAS revenue requirement to the Dexter exchange. The Guidelines state:

When the proposed extended service area is not the metropolitan local calling area, the commission shall determine the apportionment of costs, provided that between 50 and 75 percent of the costs must be allocated to the petitioning exchange.

See Attachment A to the Commission's February 23, 1996 ORDER AFTER RECONSIDERATION in DOCKET NO. P-999/CI-94-296.

Pursuant to the Commission's November 21, 1997 Order in this matter, GTE, USWC and the Department explored allocations to the Dexter exchange of 75, 60, and 50 percent. Consistent with its decision in a closely related case,² the Commission finds that a 60/40 division of costs is a fair allocation of the EAS revenue requirement in this case.

Accordingly, the Commission will establish rates as calculated for the Dexter exchange as calculated by GTE and for Austin by Commission Staff using that 60/40 cost allocation.

IV. NEXT STEPS: THE THIRD CRITERION

In a previous Order in this matter, the Commission has found adjacency and adequate traffic, the first two criteria established by the Commission for processing EAS petitions. See **Attachment A** to the Commission's February 23, 1996 ORDER AFTER RECONSIDERATION in DOCKET NO. P-999/CI-94-296.

The Commission will now proceed to poll the Dexter subscribers to see if the third criterion in the EAS process (adequate subscriber support) will be met, i.e. whether a majority of the returned ballots (on an access line basis) support the implementation of the EAS route proposed between Dexter and Austin at the rates established in this Order

ORDER

1. The Commission hereby accepts the cost studies and resultant revenue requirements for GTE Minnesota and USWC and assigns sixty (60%) percent of the revenue requirement to the Dexter exchange.
2. EAS rate additives for the Dexter exchange are adopted as follows:

² See In the Matter of a Petition for Extended Area Service from Adams to Austin, Docket No. P-407,421/CP-96-562, ORDER SETTING RATES AND REQUIRING POLLING (July 28, 1998).

Rates for Dexter:

| Class of Service | Base Rate | 60% |
|----------------------------|------------------|------------|
| One Party Residential | \$14.55 | \$6.58 |
| One Party Business/Key/PBX | \$29.10 | \$13.16 |

3. EAS rate additives for the Austin exchange are adopted as follows:

EAS Additives for Austin

| Class of Service | Base Rate* | 40% |
|-------------------------|-------------------|------------|
| One Party Residential | \$14.07 | \$0.14 |
| One Party Business | \$34.88 | \$0.35 |
| Trunk | \$36.80 | \$0.37 |
| Payphone | \$34.85 | \$0.35 |

*The base rate includes EAS to Brownsdale and Lyle.

4. GTE shall cooperate fully with Commission Staff and contractors to conduct a poll of all telephone subscribers in the Dexter exchange:
- GTE shall provide usable, deliverable addresses for all access lines in a format and according to a schedule established by Commission staff.
 - GTE shall provide proof of the accuracy of the customer lists as requested by Commission staff.
 - GTE shall provide a list of Dexter subscribers as of the date specified by Commission staff for polling those exchanges.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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